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State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

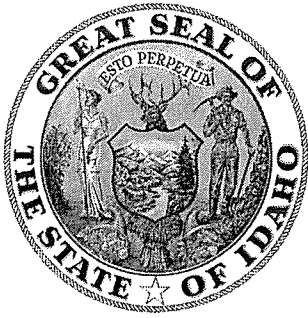
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**EASTERN IDAHO PUBLIC HEALTH  
DISTRICT (VII)**

**FY 2006-2007**

**Report OP95707  
Date Issued: November 10, 2008**

*Serving Idaho's Citizen Legislature*



Don H. Berg, Manager

Idaho Legislative Services Office  
Legislative Audits Division

**EASTERN IDAHO PUBLIC HEALTH  
DISTRICT (VII)**

## **SUMMARY**

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### **PURPOSE OF AUDIT REPORT**

We have audited the financial statements of the Eastern Idaho Public Health District (VII) for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

### **CONCLUSION**

We conclude that District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

### **FINDINGS AND RECOMMENDATIONS**

There is one finding and recommendation in this report.

1. Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

The complete finding is detailed on pages 26 and 27. A copy of the entire report is available at <http://www.legislature.idaho.gov/audit/index.htm> or by calling 208-334-4832.

### **PRIOR FINDINGS AND RECOMMENDATIONS**

There were no findings and recommendations in the prior report.

### **AGENCY RESPONSE**

The District has reviewed the report and is in general agreement with its contents.

### **OTHER INFORMATION**

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the Eastern Idaho Public Health District, and the District's Board, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Richard O. Horne, and his staff.

**ASSIGNED STAFF**

Lori Hendon, CPA, Managing Auditor

Aimee Hayes, CPA, In Charge Auditor

Jolene Crumley, Staff Auditor

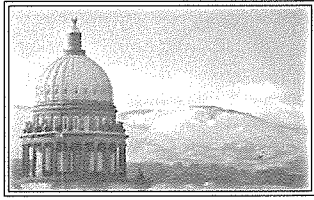
Eric Bjork, Staff Auditor

Sally Fong, Staff Auditor

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# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

**Jeff Youtz**  
Director

October 8, 2008

Unqualified Opinion on  
Basic Financial Statements

## Independent Auditor's Report

Richard Horne, Director  
Eastern Idaho Public Health District (VII)  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Mark Trupp, Chairman  
District VII Board of Health  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Dear Mr. Horne and Mr. Trupp:

We have audited the accompanying basic financial statements of the governmental activities, major fund, and the remaining fund information of the Eastern Idaho Public Health District (VII), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the remaining fund information of the District as of June 30, 2006 and 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September , 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

**Mike Nugent, Manager**  
Research & Legislation

**Cathy Holland-Smith, Manager**  
Budget & Policy Analysis

**Don H. Berg, Manager**  
Legislative Audits

**Glenn Harris, Manager**  
Information Technology

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Statehouse, P.O. Box 83720  
Boise, Idaho 83720-0054

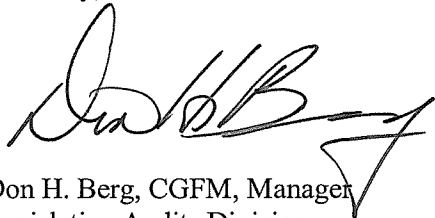
Tel: 208-334-2475  
[www.legislature.idaho.gov](http://www.legislature.idaho.gov)

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 26 and 27 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager  
Legislative Audits Division

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006 AND 2007

	June 30,2006 Governmental Activities	June 30,2007 Governmental Activities
ASSETS		
Cash	\$51,010	\$9,806
Investments	4,304,793	3,203,543
County Notes Receivable Current	36,000	36,000
Accounts Receivable	537,521	765,658
Prepaid Expense	178,424	171,808
County Notes Receivable Non-current	99,681	69,685
Restricted Investments (Building Construction)	1,935,614	497,496
Capital Assets:		
Non-depreciable	702,789	3,906,887
Depreciable, Net of Accumulated Depreciation	2,806,211	2,775,999
Total Assets	<u>\$10,652,043</u>	<u>\$11,436,882</u>
LIABILITIES		
Accounts Payable	\$90,818	\$37,953
Payroll and Benefits Payable	146,233	155,194
Deposit Held on Pending Asset Sale	0	250,000
Non-Current Liabilities:		
Due Within One Year	242,121	308,446
Due In More Than One Year	2,001,514	1,950,243
Total Liabilities	<u>\$2,480,686</u>	<u>\$2,701,836</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$3,444,614	\$5,180,382
Restricted (Building Construction)	1,935,614	497,496
Unrestricted	2,791,129	3,057,168
Total Net Assets	<u>\$8,171,357</u>	<u>\$8,735,046</u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2007

<u>FISCAL YEAR 2006</u>		<u>PROGRAM REVENUE</u>		
Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental Activities:				
Board of Health	\$17,581	\$0	\$0	(\$17,581)
Family & Community Health Services	2,330,152	885,478	630,761	(813,913)
Environmental Health Services	800,910	456,981	295,341	(48,588)
Health Preparedness Promotion & Surveillance	1,168,218	4,750	1,221,628	58,160
Nutrition	811,320	0	994,300	182,980
General Support	1,035,726	9,517	0	(1,026,209)
Total Governmental Activities	<u>\$6,163,907</u>	<u>\$1,356,726</u>	<u>\$3,142,030</u>	<u>(\$1,665,151)</u>
General Revenues:				
State Appropriation				\$1,285,100
Interest Income				127,115
County Contributions				886,674
Total General Revenues				<u>\$2,298,889</u>
Change in Net Assets				633,738
Beginning Net Assets				7,537,619
Ending Net Assets				<u>\$8,171,357</u>

<u>FISCAL YEAR 2007</u>		<u>PROGRAM REVENUE</u>		
Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental Activities:				
Board of Health	\$16,117	\$0	\$0	(\$16,117)
Family & Community Health Services	2,310,478	890,315	629,520	(790,643)
Environmental Health Services	908,824	510,387	301,085	(97,352)
Health Preparedness Promotion & Surveillance	1,233,302	22,076	1,295,029	83,803
Nutrition	802,761	0	925,859	123,098
General Support	1,196,810	3,801	0	(1,193,009)
Total Governmental Activities	<u>\$6,468,292</u>	<u>\$1,426,579</u>	<u>\$3,151,493</u>	<u>(\$1,890,220)</u>
General Revenues:				
State Appropriation				\$1,251,200
Interest Income				300,502
County Contributions				902,207
Total General Revenues				<u>\$2,453,909</u>
Change in Net Assets				563,689
Beginning Net Assets				8,171,357
Ending Net Assets				<u>\$8,735,046</u>

The accompanying notes are an integral part of the financial statements.



STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Special Revenue Fund	June 30, 2007 Special Revenue Fund
<b>ASSETS</b>		
Cash	\$51,010	\$9,806
Investments	4,304,793	3,203,543
County Notes Receivable Current	36,000	36,000
Accounts Receivable	537,521	765,658
Prepaid Expense	178,424	171,808
County Notes Receivable Non-current	99,681	69,685
Restricted Investments (Building Construction)	1,935,614	497,496
Total Assets	<u>\$7,143,043</u>	<u>\$4,753,996</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$90,818	\$37,953
Payroll and Benefits Payable	146,233	155,194
Deferred Revenue	239,987	269,875
Deposit Held on Pending Asset Sale	0	250,000
Total Liabilities	<u>\$477,038</u>	<u>\$713,022</u>
<b>Fund Balances</b>		
Reserved for:		
Prepaid Items	\$178,424	\$171,808
County Notes Receivable Non-current	99,681	69,685
Building Construction	1,935,614	497,496
Unreserved Special Revenue Fund	4,452,286	3,301,985
Total Fund Balance	<u>\$6,666,005</u>	<u>\$4,040,974</u>
Total Liabilities and Fund Balance	<u>\$7,143,043</u>	<u>\$4,753,996</u>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total Fund Balance for Governmental Funds	\$6,666,005	\$4,040,974
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	3,509,000	6,682,886
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	239,987	269,875
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences and loans payable.	(2,243,635)	(2,258,689)
Net Assets of Governmental Activities	<u>\$8,171,357</u>	<u>\$8,735,046</u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006 AND 2007

	Year Ended June 30, 2006			Year Ended June 30, 2007		
	Special Revenue Fund 0290	Non-Major Millennium Fund 0499	Total Governmental Funds	Special Revenue Fund 0290	Non-Major Millennium Fund 0499	Total Governmental Funds
<b>REVENUES</b>						
Health and Professional Services	\$1,248,479	\$0	\$1,248,479	\$1,329,507	\$0	\$1,329,507
Interest	127,115	0	127,115	300,502	0	300,502
Federal Grants	2,969,009	0	2,969,009	2,876,226	0	2,876,226
State Grants	126,221	0	126,221	224,967	0	224,967
City/County Grants	886,674	0	886,674	902,207	0	902,207
Rent and Lease Income	300	0	300	0	0	0
Miscellaneous Revenue	86,552	0	86,552	67,184	0	67,184
General Fund Support	1,285,100	46,800	1,331,900	1,251,200	50,300	1,301,500
Total Revenues	\$6,729,450	\$46,800	\$6,776,250	\$6,951,793	\$50,300	\$7,002,093
<b>EXPENDITURES</b>						
Current						
Board of Health	\$17,581	\$0	\$17,581	\$16,117	\$0	\$16,117
Family & Community Health Services	2,333,322	0	2,333,322	2,309,686	0	2,309,686
Environmental Health Services	800,494	0	800,494	904,327	0	904,327
Health Preparedness Promotion & Surveillance	1,118,530	46,800	1,165,330	1,178,907	50,300	1,229,207
Nutrition	806,074	0	806,074	800,427	0	800,427
General Support	901,786	0	901,786	1,056,718	0	1,056,718
Capital Outlay	273,386	0	273,386	3,310,642	0	3,310,642
Total Expenditures	\$6,251,173	\$46,800	\$6,297,973	\$9,576,824	\$50,300	\$9,627,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$478,277	\$0	\$478,277	(\$2,625,031)	\$0	(\$2,625,031)
<b>OTHER FINANCING SOURCES</b>						
Construction Loan Proceeds	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0
Total Other Financing Sources and Uses	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0
Net Change in Fund Balances	\$2,478,277	\$0	\$2,478,277	(\$2,625,031)	\$0	(\$2,625,031)
Beginning Fund Balance, as Restated	4,187,728	0	4,187,728	6,666,005		6,666,005
Ending Fund Balance	\$6,666,005	\$0	\$6,666,005	\$4,040,974	\$0	\$4,040,974

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

	FY 2006	FY 2007
Net Change in Fund Balances for Total Governmental Funds	\$2,478,277	(\$2,625,031)
Amounts reported for governmental activities in the statement of activities are different because:		
Book Value for Capital Assets Sold	(2,308)	
Revenues in the statement of activities that do not provide current financial sources are not reported as revenues in the funds.	23,703	29,888
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,000,000)	
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense.		
Capital outlays exceeded depreciation in FY 06 and FY07 by the following amounts:		
Capital Outlay	273,386	3,310,642
Depreciation Expense	(133,871)	(136,756)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	(5,449)	(15,054)
Change in Net Assets of Governmental Activities	\$633,738	\$563,689

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Health District changed its operating name in 2007 from District Seven Health Department to Eastern Idaho Public Health District.

The District is not a State agency. In determining how to define the District for financial reporting purposes, management has considered all potential component units in accordance with GASB Statement 14. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

## GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (e.g., the statement of net assets and the statement of activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program revenues.

The statement of net assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in Capital Assets, Net of Related Debt* are capital assets, net of accumulated depreciation and reduced by related outstanding debt.
2. *Restricted Net Assets* result when constraints placed on net asset use are externally imposed by contributors, by law, or by enabling legislation.
3. *Unrestricted Net Assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program revenues are reported as general revenue.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Sales of services, interest, and federal grant expenditures are considered to be susceptible to accrual. Expenditures are recorded when a liability is incurred, except for compensated absences, which are recognized as expenditures

to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

The District has one major governmental fund. The General Fund accounts for all financial resources of the District, except those required to be accounted for in the Millennium Fund.

## **ASSETS, LIABILITIES, AND NET ASSETS**

### Cash

The District's cash is considered to be cash on hand and on deposit with the State Treasurer's Office.

### Investments

Investments are reported at fair value. Additional disclosure is included in Note 2.

### Accounts Receivable

Accounts receivable consist of county contributions, federal grants, and client fees.

### Inventories and Prepaid Items

The District uses the purchases method of accounting for inventory. The District uses the purchases method for all prepaid expenses that are prepaid for 12 months or less. The District has recorded one significant prepaid item. Additional disclosure is included in Note 10.

### Capital Assets

Purchased capital assets are reported at cost. Assets donated or acquired at bargain purchase prices are reported at market value on the date of donation. Only capital assets with a value of \$5,000 or greater are capitalized. Depreciation is recorded using the straight-line method over the assets estimated useful life as follows:

Equipment	3-10 years
Building/Improvements	15-40 years
Vehicles	7 years

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note 5.

### Deposit Held on Pending Asset Sale

In September 2006, the District entered into an agreement with Bonneville County to sell the District's building located in Idaho Falls to the county for \$500,000. This purchase and sale agreement contemplated a closing about September 2007 or when the District could deliver possession of the building along with title. At this time the county would pay the remaining balance due. The county made a deposit with the District of \$250,000 that is being held pending closing of the sale.

## **REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide statement of activities, revenues and expenses are segregated by activity and then by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applicants for services provided and certain grants and contributions. General revenues include Idaho State appropriations, County contributions, and interest.

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function.

## RESTATEMENTS

The beginning fiscal year 2006 fund balance figures were restated to adjust for deferred revenue not recorded in prior year financial statements. The beginning fiscal year 2006 fund balance was restated by a negative \$216,284 to account for these changes.

## NOTE 2. INVESTMENTS

The District participates in the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). Both are external investment pools sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011, or on the Controller's Web site at <http://www.sco.idaho.gov>

Idaho Code, Sections 67-1210 and 67-1210A restrict the State Treasurer to certain types of investments.

Proceeds from debt issued for the purpose of constructing a new office are held in trust by Zions Bank until the funds are used for construction. There are two separate sections of the trust. The debt service reserve and the construction project reserve. The debt service amount of \$158,371 is held as collateral against required payments until the last payment on the loan is made. The construction project reserve is available to draw on as construction costs are paid. Those funds not drawn are invested in the Dreyfus Treasury Cash Management Fund. That fund invests 100% in repurchase agreements with one day maturities. The repurchase agreements are 100% collateralized by U.S. Treasury notes, bills, strips or other direct U.S. Treasury obligations. These investments are reported as restricted assets.

### Credit Ratings

In fiscal year 2006, the LGIP and DBF were unrated. In fiscal year 2007 they were rated AAA by Standard and Poor's rating services. The Dreyfus Treasury Cash Management Fund is rated AAA by Standard & Poor's and Moody's.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal policy to address interest rate risk.

The following schedule represents the District's investments in the external investment pool and open mutual funds, and a distribution of their maturities at June 30, 2006 and 2007:

<u>June 30, 2006</u>	<u>Fair Value</u>	<u>Maturity</u>
LGIP	\$3,265,959	less than 1 year
Diversified Bond Fund	1,038,834	4.7 year average
Dreyfus (mutual fund)	1,935,614	1 day average
Total	<u>\$6,240,407</u>	
 <u>June 30, 2007</u>		
LGIP	\$2,101,762	less than 1 year
Diversified Bond Fund	1,101,781	4.4 year average
Dreyfus (mutual fund)	497,496	1 day average
Total	<u>\$3,701,039</u>	

### NOTE 3. COMPENSATED ABSENCES

The District is not part of the State, but has decided to follow State rules on compensated absences. The District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those who are ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave but is not subject to any limitation. Effective June 2007, earned administrative leave was no longer an option for employees. Accumulated earned administrative leave must be used by June 30, 2008, or the District will have to pay any balances left on July 1, 2008. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

As of June 30, 2006 and 2007, the following compensated absences have been accrued by employees of the District. These amounts are reported on the government-wide financial statements. A liability for the amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement. Compensated absences are paid from the District's main operating fund.

FY 2006 <u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2005	\$238,188
Increases	242,155
Decreases	(236,707)
Ending Balance June 30, 2006	<u>\$243,636</u>

The District estimates the amount due within one year is \$242,121.

FY 2007 <u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2006	\$243,636
Increases	249,041
Decreases	(233,987)
Ending Balance June 30, 2007	<u>\$258,690</u>

The District estimates the amount due within one year is \$248,446.

#### **NOTE 4. PENSION PLANS**

The Public Employee Retirement System of Idaho (PERSI) was created by the Idaho State Legislature and administers the PERSI Base Plan and the PERSI Choice Plan. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. PERSI's annual financial reports are available on the PERSI Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov) or upon request by writing to PERSI, P.O. Box 83720, Boise, ID, 83720-0078.

The Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the District and its employees are established and may be amended by the PERSI Retirement Board. For the period from July 1, 2005 to June 30, 2007, the required contribution rate as a percent of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The District contributions required and paid were \$303,028, \$326,930, and \$330,091 for the three years ended June 30, 2005, 2006, and 2007, respectively.

The PERSI Choice Plan is a defined contribution retirement plan. The defined contribution plan includes the 401(k) and the 414(k). Statutes governing the PERSI Choice Plan is found in Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. The assets of the 401(k) and the 414(k) are commingled for investment and record keeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Participants in the 401(k) plan can make tax deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period. For the audit period no voluntary employer matching contributions have been made.

## NOTE 5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2006 and 2007 is as follows:

<b>Governmental Activities:</b>	<b>Balance at July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2006</b>
<b>Capital Assets not being Depreciated:</b>				
Land	\$477,121	\$0	\$0	\$477,121
Work in Progress on Building	0	225,668	0	225,668
<b>Total Capital Assets not Being Depreciated</b>	<b>\$477,121</b>	<b>\$225,668</b>	<b>\$0</b>	<b>\$702,789</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	\$3,422,152	\$0	\$0	\$3,422,152
Improvements Other Than Buildings	83,900	0	0	83,900
Equipment	181,380	19,953	0	201,333
Vehicles	459,016	27,764	124,883	361,897
<b>Total Capital Assets Being Depreciated</b>	<b>\$4,146,448</b>	<b>\$47,717</b>	<b>\$124,883</b>	<b>\$4,069,282</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$783,368	\$85,555	\$0	\$868,923
Improvements Other Than Buildings	32,325	2,098	0	34,423
Equipment	137,425	9,892	0	147,317
Vehicles	298,657	36,326	122,575	212,408
<b>Total Accumulated Depreciation</b>	<b>\$1,251,775</b>	<b>\$133,871</b>	<b>\$122,575</b>	<b>\$1,263,071</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,894,673</b>	<b>\$(86,154)</b>	<b>\$2,308</b>	<b>\$2,806,211</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$3,371,794</b>	<b>\$139,514</b>	<b>\$2,308</b>	<b>\$3,509,000</b>

<b>Governmental Activities:</b>	<b>Balance at July 1, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2007</b>
<b>Capital Assets not being Depreciated:</b>				
Land	\$477,121	\$0	\$0	\$477,121
Work in Progress on Building	225,668	3,204,098	0	3,429,766
<b>Total Capital Assets not Being Depreciated</b>	<b>\$702,789</b>	<b>\$3,204,098</b>	<b>\$0</b>	<b>\$3,906,887</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	\$3,422,152	\$0	\$0	\$3,422,152
Improvements Other Than Buildings	83,900	0	0	83,900
Equipment	201,333	35,929	30,112	207,150
Vehicles	361,897	70,615	0	432,512
<b>Total Capital Assets Being Depreciated</b>	<b>\$4,069,282</b>	<b>\$106,544</b>	<b>\$30,112</b>	<b>\$4,145,714</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$868,923	\$85,555	\$0	\$954,478
Improvements Other Than Buildings	34,423	2,098	0	36,521
Equipment	147,317	12,331	30,112	129,536
Vehicles	212,408	36,772	0	249,180
<b>Total Accumulated Depreciation</b>	<b>\$1,263,071</b>	<b>\$136,756</b>	<b>\$30,112</b>	<b>\$1,369,715</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,806,211</b>	<b>\$(30,212)</b>	<b>\$0</b>	<b>\$2,775,999</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$3,509,000</b>	<b>\$3,173,886</b>	<b>\$0</b>	<b>\$6,682,886</b>

Depreciation is charged to General Support. In fiscal year 2006, depreciation was \$133,871 and in fiscal year 2007 depreciation was \$136,756.



## NOTE 6. OPERATING LEASES

The District leases buildings and office equipment under operating leases. The leases contain various renewal options and some have purchase options. Operating lease payments are recorded as expenditures when paid or incurred. The District's total operating lease expenditures for fiscal years 2006 and 2007 were \$46,253 and \$41,010, respectively.

Future minimum lease commitments for non-cancelable operating leases as of June 30, 2007 are:

Fiscal Year	
2008	\$38,750
2009	38,800
2010	38,800
2011	38,800
2012	38,250
2013-2016	<u>152,800</u>
Total	<u>\$346,200</u>

## NOTE 7. LONG TERM DEBT

On June 15, 2006, the District entered into an agreement with the Idaho Health Facilities Authority to finance the construction of a new office building in Idaho Falls. The Authority obtained funding through a \$2 million loan from Zions Bank, which was funded by the issuance of bonds maturing annually over 20 years. The Authority loaned these funds to the District. Under the provisions of an Indenture, the Authority assigned certain rights, including the collection of the loan payments to Zions Bank. Principal payments will be made from the District to Zions Bank in annual installments beginning August 1, 2007 and concluding on August 1, 2026. Interest is payable on August 1 and February 1 of each year. The first interest only payment of \$62,499 was made on February 1, 2007. The interest rate on the loan varies from 4.87% to 5.10%. On August 1, 2011, 2016, and 2021, the interest rate will be subject to adjustment to equal 95% of the Five-Year Advance Fixed Rate as quoted by the Seattle Federal Home Loan Bank.

### FY 2006

<u>Changes to Long-Term Debt</u>	
Beginning Balance July 1, 2005	\$0
Increases	2,000,000
Decreases	<u>0</u>
Ending Balance June 30, 2006	<u>\$2,000,000</u>

The amount due within one year is \$0.

### FY 2007

<u>Changes to Long-Term Debt</u>	
Beginning Balance July 1, 2006	\$2,000,000
Increases	0
Decreases	<u>0</u>
Ending Balance June 30, 2006	<u>\$2,000,000</u>

The amount due within one year is \$60,000.

Future loan payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$60,000	\$98,095
2009	63,000	95,093
2010	66,000	91,936
2011	69,000	88,611
2012	73,000	85,089
2013-2017	425,000	365,155
2018-2022	545,000	244,102
2023-2037	699,000	90,330
	<u>\$2,000,000</u>	<u>\$1,158,411</u>

#### NOTE 8. RELATED-PARTY TRANSACTIONS

The membership of the District's Board of Health consists of one county commissioner from each of the counties served by the District. In fiscal year 2007, a licensed physician was added to the board. That physician had a preexisting contract with the District to provide medical services for District clients at a large discount. The contract has been disclosed to the rest of the board and continues in force.

The board also has agreements with two counties (Jefferson and Fremont) that involve loans from District funds to build office space for use by the District. Each quarter, the District pays each county for use of their building. Additional disclosure is included in Note 9.

#### NOTE 9. COUNTY NOTES RECEIVABLE

The District currently rents office space from two of the eight counties it serves. The District loaned these counties nearly one-half of the cost to build the offices, and the counties obtained Federal Community Block Grants to fund the remaining costs. The District deducts \$4,250 each quarter from the loan balance (\$17,000 per fiscal year) when paying Jefferson County rent billings. The District deducts \$4,750 each quarter from the loan balance (\$19,000 per fiscal year) when paying the Fremont County rent billings.

The District annually computes interest on the December 31 balance at a rate based on the December Local Government Investment Pool rate of return, because this is the rate of return the funds would have earned if left deposited with the State Treasurer. The calculated amounts are recorded on a schedule maintained by the District's fiscal officer. The calculated interest amounts for fiscal years 2006 and 2007 are:

	<u>FY 2006</u>	<u>FY 2007</u>
Jefferson County	\$2,505	\$2,806
Fremont County	2,842	3,198
Total	<u>\$5,347</u>	<u>\$6,004</u>

As of June 30, 2006 and 2007, the loan balances owed to the District by the two counties were:

	<u>FY 2006</u>	<u>FY 2007</u>
Jefferson County	\$63,495	\$49,301
Fremont County	72,186	56,384
Total	<u>\$135,681</u>	<u>\$105,685</u>

#### **NOTE 10. PREPAID RENT**

In fiscal year 2003, the District entered into a long-term lease for office space in Challis. The District prepaid \$198,240 for a 30-year lease with Custer Health Care Association, Inc. The District occupied the property beginning July 2003, at which time the prepayment started being amortized. The amount amortized and balance remaining is:

Total Prepaid	\$198,240
Prior Amortized	13,216
Amortized FY 2006	6,000
Amortized FY2007	6,616
Balance Remaining	<u>\$172,408</u>

#### **NOTE 11. LITIGATION**

The District was involved in an effort to reimpose sanitary restrictions on a specific land development. The private party involved filed a notice of tort claim for \$1 million in 2006. No court action has been taken to date. Related to that same matter, the private party involved filed a claim against the Health District for their legal costs of about \$53,000 involved in defending against the reimposition of sanitary restrictions. The judge awarded the private party \$1,119 and denied the remainder. A motion for reconsideration of the denial has been filed. The reconsideration was denied and the party appealed to the Idaho Supreme Court. That appeal is pending. At the present time, it is not possible to estimate the ultimate outcome or liability of the District with respect to these proceedings.

#### **NOTE 12. SUBSEQUENT EVENTS**

On May 1, 2008, the District acquired the Jefferson County office building that was previously being rented by the District.

On June 30, 2008, the District acquired the Fremont County office building that was previously being rented by the District.

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,265,500	\$1,265,500	\$1,285,100	\$19,600
County	888,875	888,875	886,674	(2,201)
Contracts	2,872,600	2,872,600	3,185,960	313,360
Fees	1,003,000	1,003,000	1,330,019	327,019
Interest	157,895	157,895	151,733	(6,162)
Rent	0	0	300	300
	<u>\$6,187,870</u>	<u>\$6,187,870</u>	<u>\$6,839,786</u>	<u>\$651,916</u>

Reconciliation to GAAP Basis Revenues:

Decrease in Accounts Receivable	(\$53,684)
Increase in Deferred Revenue	(23,703)
Investment Account Mark to Market	(32,949)
Total GAAP Revenues	<u>\$6,729,450</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$4,572,500	\$4,572,500	\$4,577,375	(\$4,875)
Operating	1,501,370	1,501,370	1,529,105	(27,735)
Capital Outlay	2,569,999	2,569,999	213,866	2,356,133
Total Expenditures	<u>\$8,643,869</u>	<u>\$8,643,869</u>	<u>\$6,320,346</u>	<u>\$2,323,523</u>

Reconciliation to GAAP Basis Expenditures:

Increase in Accounts Payable	\$49,340
Decrease in Payroll Payable	(125,113)
Decrease in Prepaid Expense	6,600
Total GAAP Expenditures	<u>\$6,251,173</u>

The accompanying notes are an integral part of the financial schedule.

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,251,900	\$1,251,900	\$1,251,200	(\$700)
County	906,651	906,651	864,410	(42,241)
Contracts	2,884,000	3,150,767	2,943,167	(207,600)
Fees	1,073,100	1,158,100	1,394,264	236,164
Interest	102,749	115,407	300,178	184,771
Rent	0	0	0	0
	<u>\$6,218,400</u>	<u>\$6,582,825</u>	<u>\$6,753,219</u>	<u>\$170,394</u>

Reconciliation to GAAP Basis Revenues:

Decrease in Accounts Receivable	\$216,270
Increase in Deferred Revenue	(29,888)
Investment Account Mark to Market	12,192
Total GAAP Revenues	<u>\$6,951,793</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$4,452,400	\$4,581,317	\$4,505,080	\$76,237
Operating	1,602,000	1,937,507	1,678,872	258,635
Capital Outlay	5,517,729	5,517,729	3,430,160	2,087,569
Total Expenditures	<u>\$11,572,129</u>	<u>\$12,036,553</u>	<u>\$9,614,112</u>	<u>\$2,422,441</u>

Reconciliation to GAAP Basis Expenditures:

Decrease in Accounts Payable	(\$52,865)
Increase in Payroll Payable	8,961
Decrease in Prepaid Expense	6,616
Total GAAP Expenditures	<u>\$9,576,824</u>

The accompanying notes are an integral part of the financial schedule.

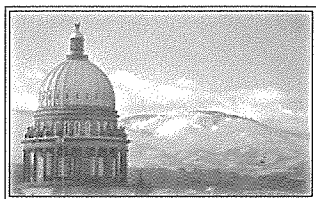
## REQUIRED SUPPLEMENTARY INFORMATION

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## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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The chairmen of the boards of county commissioners located within the District serve as the Budget Committee for the District. The District Board of Health submits the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District is approved by a majority of the Budget Committee. Any adjustments to the budget are approved by the District Board of Health.



# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

**Jeff Youtz**  
Director

October 8, 2008

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance  
with Government Auditing Standards

Richard Horne, Director  
Eastern Idaho Public Health District (VII)  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Mark Trupp, Chairman  
District VII Board of Health  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Dear Mr. Horne and Mr. Trupp:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of the Eastern Idaho Public Health District (VII) as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

**Mike Nugent, Manager**  
Research & Legislation

**Cathy Holland-Smith, Manager**  
Budget & Policy Analysis

**Don H. Berg, Manager**  
Legislative Audits

**Glenn Harris, Manager**  
Information Technology



that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 2007-01 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in Finding 2007-01 to be a material weakness.

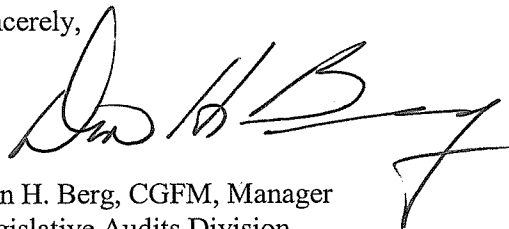
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

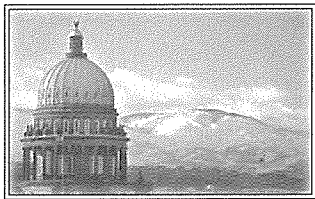
We noted certain other matters that we have reported to the management of the District in a separate letter.

This report is intended solely for the information and use of the State of Idaho, the Eastern Idaho Public Health District, and the District's Board, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager  
Legislative Audits Division



# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

**Jeff Youtz**  
Director

October 8, 2008

Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

Richard Horne, Director  
Eastern Idaho Public Health District (VII)  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Mark Trupp, Chairman  
District VII Board of Health  
1280 Hollipark Drive  
Idaho Falls, ID 83401

Dear Mr. Horne and Mr. Trupp:

## Compliance

We have audited the compliance of the Eastern Idaho Public Health District (VII) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

**Mike Nugent, Manager**  
Research & Legislation

**Cathy Holland-Smith, Manager**  
Budget & Policy Analysis

**Don H. Berg, Manager**  
Legislative Audits

**Glenn Harris, Manager**  
Information Technology

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### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

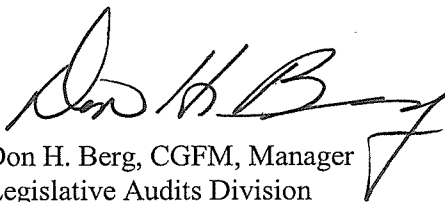
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as described below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the State of Idaho, the Eastern Idaho Public Health District, the District's Board, and federal awarding agencies, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager  
Legislative Audits Division

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Expenditures FY06	Federal Expenditures FY07	Total Federal Expenditures
<u>US DEPT. OF AGRICULTURE</u>							
Pass Through from State Dept. of Health and Welfare							
WIC	10.557	HC557900	10/01/06-09/30/07	\$992,085	\$0	\$709,380	\$709,380
WIC	10.557	HC476000	10/01/04-09/30/06	1,832,533	944,798	242,279	1,187,077
Total CFDA #10.557					\$944,798	\$951,659	\$1,896,457
TOTAL U.S. DEPT. OF AGRICULTURE					\$944,798	\$951,659	\$1,896,457
<u>US DEPT. OF HOUSING AND URBAN DEVELOPMENT</u>							
Pass Through from Idaho Housing and Finance Association							
Housing Opportunities for Persons With AIDS	14.241	HOPWA-06-02	07/01/06-06/30/07	10,112	\$0	\$9,864	\$9,864
Housing Opportunities for Persons With AIDS	14.241	HOPWA-05-02	07/01/05-06/30/06	14,791	13,211	0	13,211
Total CFDA #14.241					\$13,211	\$9,864	\$23,075
TOTAL US DEPT. OF HOUSING & URBAN DEVELOPMENT					\$13,211	\$9,864	\$23,075
<u>US DEPT. OF TRANSPORTATION</u>							
Pass Through from Idaho State Transportation Department							
State and Community Highway Safety	20.600	SOP0502	01/01/05-09/30/05	16,600	\$13,565	\$0	\$13,565
Total CFDA #20.600					\$13,565	\$0	\$13,565
TOTAL US DEPT. OF TRANSPORTATION					\$13,565	\$0	\$13,565
<u>ENVIRONMENTAL PROTECTION AGENCY</u>							
Pass Through from State Department of Health and Welfare							
State Indoor Radon Grants	66.032	HC504300	07/01/05-06/30/06	3,000	\$3,000	\$0	\$3,000
Total CFDA #66.032					\$3,000	\$0	\$3,000
Pass Through State Division of Environmental Quality							
Capitalization Grants for Drinking Water	66.468	S165	07/01/05-06/30/07	254,464	\$113,316	\$121,515	\$234,831
Total CFDA #66.468					\$113,316	\$121,515	\$234,831
TOTAL ENVIRONMENTAL PROTECTION AGENCY					\$116,316	\$121,515	\$237,831
<u>U.S. DEPT. OF HEALTH AND HUMAN SERVICES</u>							
Pass Through from State Department of Health and Welfare							
Tuberculosis Control	93.116	HC567900	01/01/07-12/31/07	9,200	\$0	\$8,273	\$8,273
Tuberculosis Control	93.116	HC535500	01/01/06-12/31/06	9,200	3,149	6,051	9,200
Tuberculosis Control	93.116	HC494500	01/01/05-12/31/05	7,300	1,971	0	1,971
Total CFDA #93.116					\$5,120	\$14,324	\$19,444
Family Planning Services	93.217	HC562200	10/01/06-09/30/07	120,422	\$0	\$120,922	\$120,922
Family Planning Services	93.217	HC409800	09/01/03-06/30/06	336,827	108,360	0	108,360
Total CFDA #93.217					\$108,360	\$120,922	\$229,282
Abstinence Education Program	93.235	HC552100	09/01/06-06/08/07	35,000	\$0	\$28,299	\$28,299
Abstinence Education Program	93.235	HC523900	10/01/05-08/31/06	35,500	26,865	7,848	34,713
Abstinence Education Program	93.235	HC496900	03/01/05-09/30/05	20,000	8,470	0	8,470
Total CFDA #93.235					\$35,335	\$36,147	\$71,482
Immunization Grants	93.268	HC566500	01/01/07-12/31/07	109,114	\$0	\$102,114	\$102,114
Immunization Grants	93.268	HC533000	01/01/06-12/31/06	107,495	100,495	7,000	107,495
Immunization Grants	93.268	HC493600	01/01/05-12/31/05	116,230	17,000	0	17,000
Total CFDA #93.268					\$117,495	\$109,114	\$226,609
Ctrs. for Disease Cont. & Prevent. - Asthma	93.283	HC555200	09/01/06-08/31/07	14,000	\$0	\$13,094	\$13,094
Ctrs. for Disease Cont. & Prevent. - Asthma	93.283	HC508500	09/01/05-08/31/06	11,000	11,000	0	11,000
Ctrs. for Disease Cont. & Prevent. - Asthma	93.283	HC463500	09/01/04-08/31/05	10,414	1,086	0	1,086
Ctrs. for Disease Cont. & Prevent. - Bioterrorism Surveil. / Epidem.	93.283	HC561400	08/31/06-08/30/07	163,085	0	132,189	132,189
Ctrs. for Disease Cont. & Prevent. - Bioterrorism Surveil. / Epidem.	93.283	HC523100	08/31/05-08/30/06	158,409	124,383	34,026	158,409
Ctrs. for Disease Cont. & Prevent. - Bioterrorism Surveil. / Epidem.	93.283	HC472000	08/31/04-08/30/05	92,857	19,130	0	19,130
Ctrs. for Disease Cont. & Prevent. - Comprehensive Cancer Control	93.283	HC559200	10/30/06-06/30/07	12,328	0	12,328	12,328
Ctrs. for Disease Cont. & Prevent. - Public Health Preparedness	93.283	HC557100	08/31/06-08/30/07	367,919	0	268,134	268,134
Ctrs. for Disease Cont. & Prevent. - Public Health Preparedness	93.283	HC520000	08/31/05-08/30/06	393,745	308,897	84,848	393,745
Ctrs. for Disease Cont. & Prevent. - Public Health Preparedness	93.283	HC470200	08/31/04-08/30/05	456,452	93,534	0	93,534
Ctrs. for Disease Cont. & Prevent. - Tobacco Prevent.	93.283	HC542600	07/01/06-06/30/08	87,430	0	43,715	43,715
Ctrs. for Disease Cont. & Prevent. - Tobacco Prevent.	93.283	HC504900	07/01/05-06/30/06	43,715	43,715	0	43,715
Ctrs. for Disease Cont. & Prevent. - Womens Health Check	93.283	HC539000	06/30/06-06/29/07	40,341	0	40,341	40,341
Ctrs. for Disease Cont. & Prevent. - Womens Health Check	93.283	HC499500	06/30/05-06/29/06	32,300	32,300	0	32,300
Total CFDA #93.283					\$634,045	\$628,675	\$1,262,720

The accompanying notes are an integral part of the schedule.

STATE OF IDAHO  
EASTERN IDAHO PUBLIC HEALTH DISTRICT (VII)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Expenditures FY06	Federal Expenditures FY07	Total Federal Expenditures
TANF - Immunizations Registry	93.558	HC500600	04/01/05-06/30/07	\$158,554	\$79,277	\$79,277	\$158,554
Total CFDA #93.558					\$79,277	\$79,277	\$158,554
Child Care and Development Block Grant	93.575	WC056400	07/01/06-06/30/10	382,692	\$0	\$104,548	\$104,548
Child Care and Development Block Grant	93.575	WC039000	07/01/02-06/30/06	326,137	121,020	0	121,020
Total CFDA #93.575					\$121,020	\$104,548	\$225,568
Medical Assistance Program - Infant Toddler	93.778	7C095500	06/30/06-06/30/08	74,000	\$0	\$37,000	\$37,000
Medical Assistance Program - Infant Toddler	93.778	7C080700	10/01/03-06/30/06	96,500	37,000	0	37,000
Total CFDA #93.778					\$37,000	\$37,000	\$74,000
National Bioterrorism Hospital Preparedness Program	93.889	HC556500	09/01/06-08/31/07	226,712	\$0	\$64,567	\$64,567
National Bioterrorism Hospital Preparedness Program	93.889	HC520700	09/01/05-08/31/06	350,538	69,418	276,449	345,867
National Bioterrorism Hospital Preparedness Program	93.889	HC470800	09/01/04-08/31/05	395,148	335,352	0	335,352
Total CFDA #93.889					\$404,770	\$341,016	\$745,786
HIV Care Formula Grants - Ryan White II	93.917	HC450100	04/14/04-03/31/08	64,070	\$17,426	\$17,532	\$34,958
Total CFDA #93.917					\$17,426	\$17,532	\$34,958
HIV Prevent. Activities	93.940	HC489500	01/01/05-12/31/07	150,220	\$47,316	\$43,020	\$90,336
HIV Prevent. Activities	93.940	HC536700	03/27/06-12/31/07	20,000	1,750	14,500	16,250
Total CFDA #93.940					\$49,066	\$57,520	\$106,586
HIV/AIDS Surveillance	93.944	HC567200	01/01/07-12/31/07	3,500	\$0	\$3,078	\$3,078
HIV/AIDS Surveillance	93.944	HC534800	01/01/06-12/31/06	3,400	2,072	1,328	3,400
Total CFDA #93.944					\$2,072	\$4,406	\$6,478
Sexually Transmitted Disease Control	93.977	HC489500	01/01/05-12/31/07	67,651	\$19,468	\$23,070	\$42,538
Total CFDA #93.977					\$19,468	\$23,070	\$42,538
Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	HC570200	04/19/07-03/29/08	17,500	\$0	\$6,925	\$6,925
Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	HC536500	04/01/06-03/29/07	17,500	1,533	10,332	11,865
Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	HC497700	4/1/2005-03/29/06	15,500	14,711	0	14,711
Total CFDA #93.988					\$16,244	\$17,257	\$33,501
PHHS Block Grants - Injury Prevent.	93.991	HC563700	11/01/06-09/30/07	40,500	\$0	\$28,149	\$28,149
PHHS Block Grants - Injury Prevent.	93.991	HC522600	10/07/05-09/30/06	43,003	34,057	8,946	43,003
PHHS Block Grants - Injury Prevent.	93.991	HC488000	10/01/04-09/30/05	46,677	10,139	0	10,139
Total CFDA #93.991					\$44,196	\$37,095	\$81,291
MCH Block Grants - Body Mass Index Project	93.994	HC490400	10/01/05-12/31/05	13,750	\$8,991	\$0	\$8,991
MCH Block Grants - Child Special Health Programs	93.994	HC476400	10/01/04-09/30/08	164,000	43,500	31,250	74,750
MCH Block Grants - Epidemiology	93.994	HC563100	10/01/06-09/30/07	23,653	0	12,884	12,884
MCH Block Grants - Epidemiology	93.994	HC525500	10/01/05-09/30/06	22,514	17,009	4,466	21,475
MCH Block Grants - Epidemiology	93.994	HC477500	10/01/04-09/30/05	22,085	8,046	0	8,046
MCH Block Grants - Family Planning	93.994	HC410600	10/01/03-09/30/07	336,000	84,000	84,000	168,000
MCH Block Grants - Oral Health	93.994	HC560800	10/01/06-09/30/07	36,610	0	26,773	26,773
MCH Block Grants - Oral Health	93.994	HC526300	10/07/05-09/30/06	32,664	26,752	5,912	32,664
MCH Block Grants - Oral Health	93.994	HC478700	10/01/04-09/30/05	26,912	929	0	929
Total CFDA #93.994					\$189,227	\$165,285	\$354,512
TOTAL U.S. DEPT. OF HEALTH & HUMAN SERVICES					\$1,880,121	\$1,793,188	\$3,673,309
TOTAL CASH EXPENDITURES					\$2,968,011	\$2,876,226	\$5,844,237
WIC Food Vouchers (Non-Cash)	10.557				\$3,402,966	\$3,652,337	\$7,055,303
Immunization Grants Vaccine (Non-Cash)	93.268				638,303	647,022	1,285,325
TOTAL NON-CASH EXPENDITURES					\$4,041,269	\$4,299,359	\$8,340,628
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$7,009,280	\$7,175,585	\$14,184,865

The accompanying notes are an integral part of the schedule.

# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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## NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

## NOTE 2. WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal years 2006 and 2007 was \$3,402,966 and \$3,652,337, respectively.

## NOTE 3. VALUE OF VACCINE SERUM

The District provides vaccines free of charge to children 18 years of age or younger. The District determines whether the vaccine recipient is eligible to receive the vaccine under the Federal Immunization Grant. The vaccine serums are ordered by the Idaho Department of Health and Welfare, and delivered to the District as needed. The vaccine serum value supplied by the State Health and Welfare Department was \$638,303 in fiscal year 2006 and \$647,022 in fiscal year 2007.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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## SECTION I. SUMMARY OF AUDITOR'S RESULTS

### Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed a significant deficiency that was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

### Federal Awards

4. The audit disclosed one significant deficiency, not identified as a material weakness in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Immunization Grants	93.268
Centers for Disease Control and Prevention	93.283
National Bioterrorism Hospital Preparedness Program	93.889

8. The dollar threshold used to distinguish between Type A and Type B programs was \$425,546.
9. Eastern Idaho Public Health District (VII) did not qualify as a low-risk auditee as defined by *OMB Circular A-133*.

## SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

### **FINDING 2007-01**

Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

Internal controls are essential to ensure that financial statements and notes are accurate and complete. We noted several errors and omissions in the financial statements as a result of control weaknesses, which we are required by generally accepted auditing standards to disclose in the report. The following are examples of conditions we noted.

1. Unspent loan proceeds restricted for the construction of the new office building were not properly classified as restricted assets.
2. The non-current portion of long-term receivables was not disclosed.
3. Net assets and fund balances were not properly classified or computed.

4. The presentation of assets and liabilities on the Statement of Net Assets was not consistent. Assets were presented in order of liquidity and liabilities were presented in classified format.
5. Totals on the statements did not foot due to rounding errors.
6. Notes did not include a schedule of changes in long-term debt for the construction loan or amount that is due in one year.
7. Several disclosures related to the PERSI Choice Plan were missing.

Adjustments were made to the financial statements to correct the above conditions. The overall internal control structure of the District is good. These conditions represent instances where controls should be reviewed and strengthened as appropriate.

#### **RECOMMENDATION 2007-01**

We recommend that the District review the internal controls over preparation of the financial statements and notes, and strengthen the processes as appropriate. This review should include the processes for ensuring the accuracy and completeness of the financial statements and note disclosures.

#### **AGENCY'S CORRECTIVE ACTION PLAN**

All of the adjustments suggested by the auditors have been implemented on the financial statements for the years ended June 30 2006 and 2007.

In past years, our financial statements were completed to draft stage then submitted to the auditors with questions. They consulted with us on final presentation format. This procedure will no longer be adequate since proposed adjustments now create findings. We will use outside consultants to assist in the review of our presentation and notes before submitting future financials to the Legislative Services Office for audit.

### **SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE



# AGENCY RESPONSE

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BONNEVILLE CLARK CUSTER FREMONT  
JEFFERSON LEMHI MADISON TETON

Promoting the Health of People & Their Environment

September 30, 2008

Lori Hendon  
Managing Auditor  
Legislative Services Office  
Idaho State legislature  
PO Box 83720  
Boise, ID 83720-0054

Dear Ms. Lori Hendon:

I have reviewed the recently completed audit report of Eastern Idaho Public Health District for the Fiscal Years 2006 and 2007. The auditor's report notes one finding related to internal control weaknesses existing in the process for preparing the financial statements and note disclosures. The auditor recommendations have been considered and this is our plan.

First, all of the adjustments suggested by the auditors have been implemented on the financial statements for the years ended June 30, 2006 and 2007.

Second, in past years our financial statements were completed to draft stage then submitted to the auditors with questions. They consulted with us on final presentation format. This procedure will no longer be adequate since proposed adjustments now create findings. We will use outside consultants to assist in the review of our presentation and notes before submitting future financials to the Legislative Services Office for audit.

I would like to thank you and your staff on the recently completed audit. Aimee Hayes, Jolene Crumley, Eric Bjork, and Salley Fong conducted themselves professionally in all aspects of the audit. I appreciate the additional suggestions they made that will improve our daily operations.

Please extend my thanks to them.

Sincerely,

A handwritten signature in cursive script, reading 'Richard O. Horne'.

Richard O. Horne  
Director

# APPENDIX

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## HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 – The legislature established a law that created seven mandatory public health districts. In the District Seven Health Department (VII), the counties designated were Bonneville, Clark, Custer, Fremont, Jefferson, Lemhi, Madison, and Teton. The director of the State Department of Health and Welfare was designated fiscal officer for the various districts.
- 1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 – The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.

## PURPOSE

The District provides basic health services as set forth in Idaho Code, including public health education, physical health, environmental health, public health administration, and all things required for the preservation and protection of the public health and preventive health.

## STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

## ORGANIZATION

The District is supervised by an eight-member board appointed by the county commissioners of the counties served, plus one physician member. Board members serve staggered five-year terms, and are reimbursed \$75 per working day, plus all necessary travel expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into five major sections.

1. Division of Management Services. Provides supporting services including management, administration, public information, information technology, building maintenance, accounting, and government support services.
2. Division of Family and Community Health Services. Provides immunization, family planning, sexual transmitted disease information, school health, and crippled children's services; encourages lifestyle changes through health promotion and educational support.
3. Division of Environmental Health. Provides public water supply monitoring, public food establishment inspection, solid waste and subsurface sewage disposal approval, and other services to protect the health of the public and the environment.
4. Division of Nutrition. Provides the Women, Infant and Children (WIC) special supplemental nutrition program services for eligible clients, as well as nutritional counseling and diabetes education.

5. Division of Health Preparedness and Disease Surveillance. Provides services to ensure rapid recognition and response to potential bioterrorism, natural disasters, and disease outbreak events. Additionally, this section provides education and planning and coordination between counties, hospitals, and State and local emergency responders. It also provides epidemiological investigation of communicable diseases.

The District's central office is located in Idaho falls, with eight satellite offices in Driggs, Dubois, Challis, Mud Lake, Rexburg, Rigby, St. Anthony, and Salmon. An organizational chart is attached.

## **STAFFING**

At the end of fiscal year 2007, the District had 77 full-time employees and 27 part-time employees, including nurses, environmental health specialists, health educators, epidemiologists, clinical assistants, nutritionists, social workers, dental hygienists, and support staff.

## **FUNDING**

Financing for the District comes from State General Fund appropriations; county contributions; contracts from federal, State, and private vendors; fees for providing client services; the sale of septic system permits, a provision of mortgage survey services and subdivision plan reviews; and supplies. Also, some revenue is generated from fees and donations. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District also receives funds from contracts with the Idaho Department of Health and Welfare, Idaho Department of Environmental Quality, cities, other governmental agencies, as well as fees for public health services, environmental inspections, and licensing.